MULTIMEDIA UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

# FINAL EXAMINATION

**TRIMESTER 1, 2017/2018**

## BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING

(All sections / Groups)

16 October 2017
2.30 p.m – 4.30 p.m
(2 Hours)

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**INSTRUCTIONS TO STUDENTS**

1. This question paper consists of 5 printed pages excluding cover page with 4 questions only.

2. Answer **ALL** questions. Marks are shown at the end of each question.

3. Answer in the answer booklet provided.

## QUESTION 1

The following balances have been extracted from the books of Alibaba Berhad as at 31 December 2016.

| | Debit RM | Credit RM |
|---|---|---|
| Land | 500,000 | |
| Buildings | 200,000 | |
| Motor vehicles | 120,000 | |
| Machinery | 70,000 | |
| Retained earnings, 1 Jan | | 370,000 |
| 8% Note payable | | 150,000 |
| Share capital-ordinary | | 255,000 |
| Accumulated depreciation-Buildings | | 60,000 |
| Accumulated depreciation-Motor vehicles | | 69,250 |
| Accumulated depreciation-Machinery | | 40,000 |
| Returns | 3,600 | 4,100 |
| Purchases and sales | 400,000 | 700,000 |
| Discounts | 5,000 | 3,500 |
| Carriage inwards | 7,700 | |
| Carriage outwards | 8,000 | |
| Inventory, 1 Jan | 52,000 | |
| Account receivables and Payables | 66,000 | 44,200 |
| Advertising | 18,000 | |
| Staff training costs | 5,000 | |
| Bad debts | 3,000 | |
| Motor expenses | 17,000 | |
| Rent and rates | 78,000 | |
| Cash | 15,000 | |
| Prepaid insurance | 12,000 | |
| Bank | | 8,550 |
| Commission received | | 4,200 |
| Wages and salaries | 115,000 | |
| Interest paid | 6,000 | |
| Supplies | 7,500 | |
| | **1,708,800** | **1,708,800** |

**Additional information:**

1. Closing inventory at 31 December 2016 was valued at RM65,000.

**Continued...**

2. One of Alibaba's customers, who owed RM3,000 was declared bankrupt. This is to be written off.
3. A count on 31 December shows RM2,500 of supplies on hand.
4. Insurance expires at RM6,000 per year.
5. Rent and rates of RM7,000 are accrued at 31 December.
6. A utility bill for RM200 has not been recorded and will not be paid until next month.
7. Depreciation is to be charged as follows:

| | |
|---|---|
| Buildings | 2% on straight line method. |
| Motor Vehicles | 20% on reducing balance method. |
| Machinery | RM1,500 per month. |

8. The directors of Alibaba declared a dividend of RM110,000 at the end of year.

**Required:**

a) Prepare the statement of profit or loss for the year ended 31 December 2016. (12 marks)

b) Prepare the retained earnings statement for the year ended 31 December 2016. (4 marks)

c) Prepare the statement of financial position as at 31 December 2016. (9 marks)

**(Total: 25 marks)**

## QUESTION 2

a) Lai Ming established a photocopy business, called ML Copy Bhd. on 1 July 2017. During July, the following transactions have been completed:

| | |
|---|---|
| 1 | The company issues ordinary shares in exchange for RM900,000 cash. |
| 3 | Purchased three photocopy machines for RM200,000 paying RM50,000 cash and signing a 5-year, 10% note for the remainder. |
| 7 | Purchased RM50,000 supplies on credit from LinDan. |
| 9 | Cash photocopy revenue amounted to RM70,000. |
| 16 | Paid RM25,000 cash for radio advertising. |
| 18 | Paid RM20,000 on account for supplies purchased in July 7. |
| 21 | The company paid dividends of RM120,000. |
| 24 | Paid of RM4,000 for rental for the current month by cheque. |
| 27 | Received RM40,000 cash advance from a customer for future copying. |
| 30 | Billed customer for RM15,000 for photocopy work done. |

**Required:**

Journalize the above transactions in General Journal form. Explanations are not required. (10 marks)

**Continued...**

b) Presented below are the selected events and transactions occurred during the year 2016 for a business.

1. Financial statements are the major means of communicating accounting information to interested parties.
2. The purchase of an asset on account increases assets and decreases equity.
3. Transactions are entered in the ledger accounts and then transferred to journals.
4. The rules for debit and credit and the normal balance of share capital–ordinary are the same as for assets.
5. Adjusting entries are often made because some business events are not recorded as they occur.

**Required:**
Explain whether the above statement is **TRUE** or **FALSE.** (10 marks)

c) Selected below are the transactions and cases incurred for Indah Sdn. Bhd.

a) Establishment of responsibility
b) Segregation of duties
c) Accountability for assets
d) Documentation procedures
e) Physical controls

1. Employees' time is tracked using a time clock.
2. Employees who receive shipments of goods do not have access to the accounting records for merchandise.
3. Shipping documents are prenumbered.
4. The bookkeeper does not have physical custody of assets.
5. Only the treasurer of the company can sign checks.

**Required:**
Analyze each of the cases above and explain the internal control principle behind each case. (5 marks)

**(Total: 25 marks)**

**Continued...**

## QUESTION 3

a) The comparative condensed statement of profit or loss of Moran Trading are shown below.

MORAN TRADING
Comparative condensed statement of profit or loss
For the Years Ended December 31

| | 2016 | 2015 |
|---|---|---|
| Net sales | RM620,000 | RM500,000 |
| Cost of goods sold | 450,000 | 400,000 |
| Gross profit | 170,000 | 100,000 |
| Operating expenses | 54,000 | 40,000 |
| Net income | 116,000 | 60,000 |

**Required:**

1. Prepare a horizontal analysis, using 2015 as a base. (5 marks)
2. Prepare a vertical analysis, in columnar form for both years. (5 marks)

b) Mesra Berhad sells item XYZ as part of its product line. Information as to balances on hand, purchases, and sales of item XYZ are given in the following table for the first six months of 2016.

| | Quantities | | | |
|---|---|---|---|---|
| Date | Purchased | Sold | Balance | Unit Price of Purchase |
| January 11 | — | — | 400 | RM2.50 |
| January 24 | 1,300 | — | 1,700 | RM2.60 |
| February 8 | — | 300 | 1,400 | — |
| March 16 | — | 560 | 840 | — |
| June 11 | 600 | — | 1,440 | RM2.75 |

**Required:**

1. Compute the cost of goods sold and ending inventory at June 30 under the periodic FIFO inventory method. (6 marks)
2. Compute the cost of goods sold and ending inventory at June 30 under the perpetual LIFO inventory method. (9 marks)

**(Total: 25 marks)**

**Continued...**

## QUESTION 4

Presented below are the financial statements of D'Herb Berhad.

Comparative Statement of financial position

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Equipment | 60,000 | 32,000 |
| Accumulated depreciation-equipment | (20,000) | (14,000) |
| Long-term investments | 0 | 18,000 |
| Prepaid expenses | 6,000 | 9,000 |
| Inventory | 25,000 | 18,000 |
| Account receivable | 18,000 | 14,000 |
| Cash | 3,000 | 2,000 |
| Bank | 30,000 | 8,000 |
| **Total assets** | **122,000** | **87,000** |
| | | |
| **Equity and Liabilities** | | |
| Share capital-ordinary | 40,000 | 23,000 |
| Retained earnings | 28,000 | 10,000 |
| Long-term loan | 35,000 | 40,000 |
| Account payable | 17,000 | 7,000 |
| Income tax payable | 2,000 | 7,000 |
| **Total liabilities and equity** | **122,000** | **87,000** |

**Additional information:**

1. Net income for the year ended 31 December 2016 was RM33,000.
2. Cash dividends of RM15,000 were declared and paid during the year.
3. Long-term investments that had a cost of RM18,000 were sold for RM14,000.
4. Sales for 2016 were RM120,000.

**Required:**

a) Prepare the statement of cash flows for 2016 using indirect method. (22 marks)
b) Compute the free cash flow. (3 marks)

**(Total: 25 marks)**

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